

Issue Brief – Mental Health Centers

NUMBER HHS-05-25

SUMMARY

Recent Medicaid policy changes have impacted the local mental health centers by lowering its capitated rates and by restricting the use of Medicaid funds for services to only Medicaid clients. The net impact to the local mental health centers is just under \$6 million of lost revenues in FY 2006 used in the past for various non-Medicaid services including services to the indigent non-Medicaid clients. There would also be an impact in FY 2005.

OBJECTIVE

The purpose of this budget increase request is to maintain funding for the indigent non-Medicaid population suffering from severe mental illnesses.

DISCUSSION AND ANALYSIS

Most Utah local mental health centers function like an HMO (Health Maintenance Organization) when providing mental health services to Medicaid eligible people in their catchment area, referred to as a “capitated system.” In the past, Medicaid has paid the mental health center a flat annual fee (a “capitated rate”) for each Medicaid eligible person and the local center is required to provide appropriate and necessary mental health services. If the center, through efficiency and careful control of expenditures, expend less in services on Medicaid clients than it receives from Medicaid, the center has been able to use these “profits” for services to non-Medicaid eligible clients or for improvements in their service delivery system.

Recently, Medicaid made two significant policy changes in how it deals with local mental health centers on the capitated system. First, it changed the method used for calculating its capitated rates. In the past it was basically an incremental system, meaning past rates were simply increased for inflation and increased client usage. The new system bases rates on “actuarially sound” data, meaning rates are based on actual costs incurred in delivery of mental health services to Medicaid clients. Second, Medicaid funds may now be used only to provide services for Medicaid clients. If Medicaid funds received by the centers exceed the costs of Medicaid related services, rates will be reduced accordingly, and, except for a relative small “cushion” fund, excess Medicaid funds received are to be returned to Medicaid.

The main impact to the local mental health centers from these changes is that a significant amount of funds used to treat indigent non-Medicaid people with serious mental illnesses has been lost. Most centers have already informed many among that population, that unless their condition is “critical,” their services have been or will be discontinued. Last summer, the centers provided information on the impact of this loss on their ability to treat the non-Medicaid population. The following table shows the reported impact per center. Note that two of the centers, Heber Valley and San Juan, are not affected as they are “fee for service” providers and not part of the capitated system. The table shows a reported funding impact estimated at just under \$7 million. The effective impact is a little less as the reduction of Medicaid receipts will also demand less matching money from the centers.

The Analyst has not made a specific funding recommendation for this need, but the subcommittee may consider this issue along with other funding issues. The table shows the impact to each center if the Legislature provides approximately the same amount of funding as in the Governor’s recommendation, \$3.2 million.

Impact of Medicaid Policy Change on Local Mental Health Centers								
	----- Caseload Impact -----				Funding		Calculated Amount	
	Adult Cases		Child Cases		Impact per	Share of	Using:	3,200,000
<u>Mental Health Center</u>	<u>Reduced</u>	<u>%</u>	<u>Reduced</u>	<u>%</u>	<u>MH Center</u>	<u>Total</u>	<u>FY 2006</u>	<u>FY 2005</u>
Bear River Mental Health	221	30%	36	16%	\$ 410,700	5.9%	\$ 189,000	\$ 47,300
Central Utah Mental Health	165	23%	54	23%	400,000	5.8%	184,000	46,000
Davis Behavioral Health	225	7%	75	6%	700,000	10.1%	322,100	80,500
Four Corners Behavioral Health	345	56%	133	56%	433,800	6.2%	199,600	49,900
Heber Valley Counseling **								-
Northeast Counseling Center	115	20%	78	20%	230,600	3.3%	106,100	26,500
San Juan Mental Health **								-
Southwest Behavioral Health	344	27%	57	10%	750,000	10.8%	345,100	86,300
Wasatch Mental Health	461	14%	42	2%	1,336,000	19.2%	614,700	153,700
Weber Human Services	567	32%	107	17%	1,420,700	20.4%	653,500	163,300
Valley Mental Health	868	11%	217	11%	1,273,600	18.3%	585,900	146,500
Total Impact	3,311	17%	799	10%	\$ 6,955,400	100.0%	\$ 3,200,000	\$ 800,000
		Adjustment*			(1,066,700)			(3 months)
		Net Total \$ Impact			\$ 5,888,700			
* Overall fiscal impact is adjusted down by \$1,066,700 for reduced funding match required for reduced Medicaid funds received.								
Heber Valley and San Juan MH Centers are "fee for service."								

Distribution of Funds Issue

According to Section 62A-15-108, the Board of Substance Abuse and Mental Health “shall establish, by rule, formulas for allocating funds to local . . . mental health authorities The formulas shall provide for allocation of funds based on need. Determination of need shall be based on population unless the board established, by valid and accepted data, that other defined factors are relevant and reliable indicators of need.” These formulas shall “apply to all state and federal funds appropriated by the Legislature to the division for local . . . mental health authorities.” The statute continues to list four exceptions for which formula distribution is not required. They include funds that local authorities receive for specific programs in their jurisdictions available to all residents of the State, and fund that local authorities receive to meet needs that exist only within their local areas.

Section 17-43-301 (4) (x) specifies that each local mental health authority must provide “funding equal to at least 20% of the state funds that it receives to fund services described in the plan.”

The current formula adopted by the Board would distribute these funds according to the size of the population served, not according to the needs as the mental health centers identified last summer. The Governor proposed legislative intent language directing that these funds are to be distributed as per the above table. The proposed language also exempts these funds from the 20% matching requirement. The proposed language, as listed on the following page, has been found to be beyond the scope and purpose of legislative intent language. Legislative Research and General Counsel staff, along with the Fiscal Analyst and Department personnel are working on a method to distribute these funds as suggested by the Governor. As there would be some funding considered for the current FY 2005 budget also, similar intent language would be useful in both years.

Governor's Proposed Distribution Intent Language

Funds appropriated in FY 2006 to counties to replace lost federal Medicaid revenue should not be passed through the funding formula based upon Section 62A-15-108(2)(c), UCA. Given that the financial impact on each county is unique, this would meet the criteria provided in Section 62A-15-108(2)(c), UCA, which exempts funds provided "to meet needs only within their local areas" from the formula.

Funds passed through to counties to replace lost federal Medicaid revenue should not require a local match. Counties previously provided the match with regard to the lost federal Medicaid revenue. Funds previously used by counties to match the lost Medicaid revenue shall now be spent in providing services to non-Medicaid clients.

The distribution of funds to counties should be based upon each local mental health center's percentage of the total financial impact as submitted to the Division of Substance Abuse and Mental Health in July 2004 and agreed to by local mental health center directors at their association meeting on October 14, 2004. This distribution would provide that the \$3,260,000 be directed as follows: \$190,800 (5.9 percent) to Bear River Mental Health, \$185,900 (5.7 percent) to Central Utah Mental Health, \$325,200 (10 percent) to Davis Behavioral Health, \$201,500 (6.2 percent) to Four Corners Behavioral Health, \$28,800 (0.9 percent) to Heber Valley Mental Health, \$107,100 (3.3 percent) to Northeastern Counseling Center, \$348,400 (10.7 percent) to Southwest Behavioral Health, \$620,700 (19 percent) to Wasatch Mental Health, \$660,000 (20.2 percent) to Weber Human Services, and \$591,600 (18.1 percent) to Valley Mental Health.

These funds, along with the county match associated with the lost Medicaid revenue, are to be used solely to provide services to the non-Medicaid population who meet the criteria for services within the public mental health system. Information regarding the number of clients served and services provided with this additional General Fund and the county match remaining in the system shall be reported to the Health and Human Services Appropriations Subcommittee during the 2006 General Session.

LEGISLATIVE ACTION

The subcommittee should consider this funding issue along with various other issues it considers. If it decides to make this a priority funding item, it should also include consideration for distribution of these funds, if it deems the currently used distribution formula is not satisfactory for distribution of these funds.